

CONSTRUCTION INSURANCE IN FRANCE

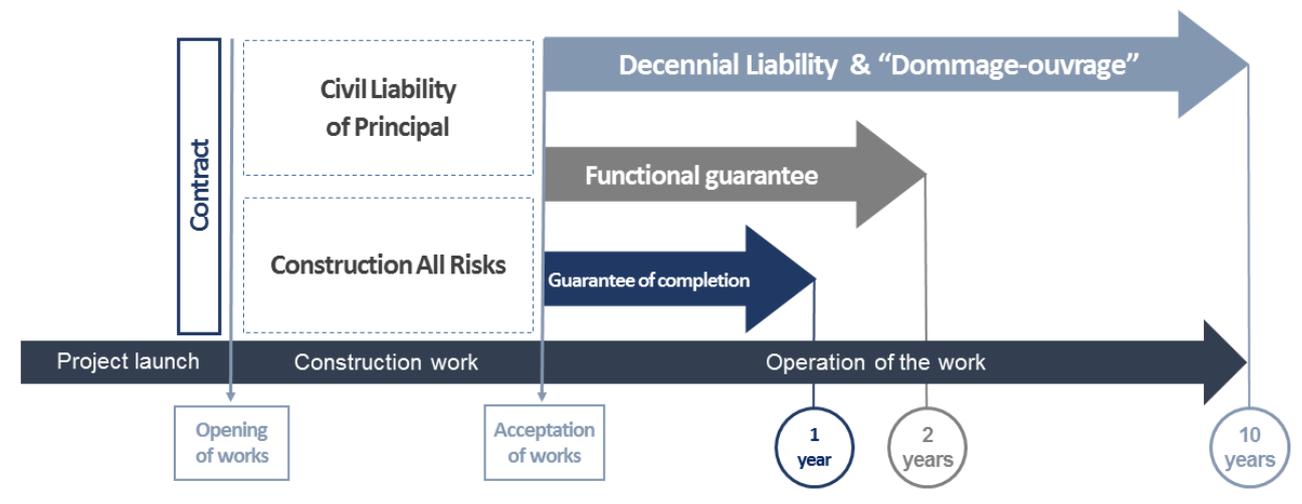
The French system was designed to provide the principal with effective protection against major damage that can occur or come to light in the decade that follows completion of the building.

The **decennial liability** also known as **ten-year guarantee** was imposed in 1978 with Spinetta Law. Constructors - and any other participant to the construction - are fully liable for all material damages to the works during a 10 years period after completion of works, even if it results from a ground defect which endangers the stability of the works or makes them unsuitable for the intended use by affecting one of its components or equipment.

It's a double trigger system:

- Legally mandated decennial liability insurance for **constructors**. They must be able to prove that such an insurance has been taken out by them to cover this liability, at the beginning the works
- Legally mandated prefinancing insurance for **principals**. Therefore the principal must before the beginning of works take out an insurance cover, in his name or on behalf of succeeding owners, sufficient to cover, independently of any pursuit of liability, payment for repair of all such damage

The decennial cover takes effect at the date of acceptance of the works by the principal. That acceptance of works is defined by law (article 1792-6 French Civil code).



Liabilities & schedule

1. The notion of EPERS manufacturers

All the manufacturers can be affected by an assumption of liability. The legislator's aim in enacting this law is for the manufacturer to be jointly liable in certain cases with the builder.

Every contractor (and every manufacturer of EPERS as well) must be insured for his decennial liability.

Note on “E.P.E.R.S” Products

E.P.E.R.S is the abbreviation for “*Eléments Pouvant Entraîner la Responsabilité Solidaire*” i.e. Elements Able to Provoke the Connected Liability

4 cumulative conditions to be fulfilled:

1. The design is forwarded
2. Special pre-determination for a final specific use
3. Made to meet with specific demands, determined in advance
4. Incorporation without any modification

2. The main consequences

→ Insurers must be licensed

For example ACE, CHUBB, CNA.... are not licensed for legally mandated decennial insurance for legally mandated decennial insurance.

→ Capitalization system

The premium of the year (Decennial Liability) and the premium of the works (Dommages Ouvrage) have to be kept and capitalized by the insurer so as to be able to pay the claims inherent to the works, for a ten (10) years period.

→ Form wording

Automatic clauses, dictated by the law

→ Claims

Claims instruction is legally determined (i.e. timetable for instruction and legal penalties)

All participants must be insured for the global amount of works.

3. Decennial insurance market

This very exclusive market was originally 100% French. It is now confronted to the arrival of new actors: European insurers operating under the freedom to provide services (FPS).

Only **a dozen of French insurers are active** on the market, 3 majors in dominant position (SMA – AXA – ALLIANZ). The same is true for the reinsurance market where only 5 reinsurers - French, Swiss and German – are recognized and able to deliver capitalization funds. The cost of the premiums is high and the underwriting of these insurances is technical and complex, especially for foreign construction companies coming to work in France.

In accordance with Directive 2006/123/CE of European Parliament, the number of insurance companies from other Member States in the European Economic Area (EEA) authorized to do business in France under the **FPS flourished for a time**. Those insurers offer disproportionate pricing conditions and convenient underwriting – they registered spectacular results and growth.

This market opening is beneficial to the consumer. Nevertheless, FPS often hide creation of reinsurance solutions in faraway countries that have no competence to deal with capitalization and **they don't accede to the *Convention de Règlement de l'Assurance Construction*** (French Convention of Construction insurance settlement). One of these insurers who was the first to come on the

French market, GABLE INSURANCE (based in Lichtenstein) recently bankrupted and closed: consequently, all companies insured by GABLE are no longer covered for their current decennial risks, and no traditional insurer wants to take back all these current guarantees.



SATEC Group is a major Construction Insurance Broker in France (Top 5) combining strong underwriting and claims management expertise and accompanying top Constructors companies (Bouygues Construction, GCC) and Investors (AXA Real Estate, AVIVA Investors, La Française, La Compagnie de Phalsbourg) in France.

For more information or answer any needs please contact:

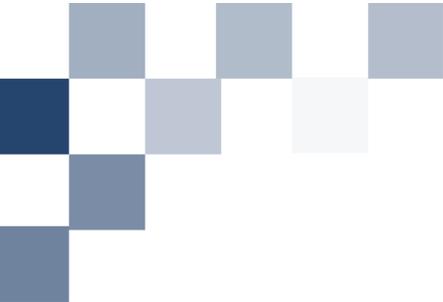


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 45^{M€} Turnover (gross commissions)

 300^{M€} Written Premium collected

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